



November 13, 2013

Item No. 17

**AUTHORIZATION TO EXERCISE OPTION YEARS TWO AND THREE
WITH AON RISK SERVICES, INC. OF ILLINOIS FOR BROKERAGE AND CONSULTING SERVICES**

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to enter into Option Year Two with Aon Risk Services, Inc. of Illinois for Insurance Brokerage and Consulting Services in an amount not-to-exceed \$217,413 for the term February 1, 2014 to January 31, 2015, as well as authorize the third and final Option Year period for the contract in an amount not-to-exceed \$228,284.

The Executive Vice President of Finance (EVP), the Office of the General Counsel and the Office of Procurement have completed all necessary due diligence to support the submission of this initiative and recommend the approval of this item accordingly.

CORPORATE GOAL

Obtain the best representation and advice in the commercial property and casualty marketplace to ensure the preservation and protection of Authority financial assets.

FUNDING: General Fund

SOLICITATION SUMMARY

Specification No.:

Vendor: Aon Risk Services, Inc. of Illinois
Joe Klein
200 E Randolph Street
Chicago, IL 60601

Contract Type: Professional Services

Base Contract 2 Year Amount: \$420,000

2 Year Base Term: 02/01/11 – 01/31/13

First Price Option Year: \$214, 200

First Option Year Term: 02/01/13 – 01/31/14

Second Price Option Year: \$217,413

Second Option Year Term: 02/01/14 – 01/31/15

Third Price Option Year: \$228,284

Third Option Year Term: 02/01/15 - 01/31/16

Aggregate Not-To-Exceed: \$1,079,897

M/W/DBE Participation:

Direct: Risk Management Solutions of America, Inc.

MBE-20% WBE-0% DBE-0%

Indirect:

MBE-0% WBE-0% DBE-0%

Waiver-No

Section 3:

Hiring – 0 Subcontracting – 0

Other Economic Opportunities \$3261 (approx.) {\$217,413 x 1.5%}

GENERAL BACKGROUND

Aon Risk Services, Inc. of Illinois has been the Chicago Housing Authority's commercial insurance broker of record since 2006. After completing their first five-year term, Aon was again awarded the contract to provide insurance brokerage and consulting services for the CHA after a competitive RFP process.

The current contract is written for a guaranteed two year term, with three one-year option terms. The base price of the contract is for \$420,000 (\$210,000 per year X 2 years). The subsequent renewal terms to be renewed at the previous year's rate, plus CPI (consumer price index) as the escalator, capped at 5% per year. (Initial fee + CPI with 5% cap). During the past twelve months, the CPI rose 1.5%. Therefore, the option year pricing will be \$217,413. By overestimating the CPI increase for the following year (2014-15) at 5%, the maximum escalator agreed to via the best and final offer, the maximum contract would not exceed \$228,284. The final option year will only be exercised if the vendor meets its performance measures.

About Aon

Aon is the largest broker in the industry, placing more than \$50 billion of premium into the global insurance market. Their real estate practice places more than \$1 billion in insurance premium, and Aon represents over 30% of the largest real estate clients in the world.

Aon is the leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 61,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise.

Because of Aon's presence in the marketplace, they are able to access insurance markets that are able to write difficult classes of business, such as housing authorities. Their marketing efforts have brought new insurance carriers to the table that were instrumental in lowering premium and retention levels.

The most important resource that Aon brings to the Chicago Housing Authority is the representative team assigned to our account. The Risk Management department routinely challenges the group with issues to help improve coverage terms, pricing and benchmarking trends, marketing strategies and other technical issues; every time the Aon team rises above expectations.

Their Client Promise is the framework and commitment which drives the execution of their activities, from the design and negotiation of insurance programs to the development of new risk management tools and techniques.

Aon has met and exceeded all performance measures during the first three years of the current contract.

The Board action recommended in this item complies in all material respects with all applicable Chicago Housing Authority board policies and all applicable federal (HUD) procurement laws.

The EVP of Finance concurs with the recommendation to Exercise Option Years Two and Three (subject to meeting performance measures) with Aon Risk Services, Inc. of Illinois for Brokerage and Consulting Services.

The CEO/President recommends the authorization to exercise, at his or his designee's discretion, the last two, one-year options with Aon Risk Services to provide Brokerage and Consulting Services to the CHA in an amount not-to-exceed \$217,413 for the term February 1, 2014 to January 31, 2015, as well as authorize the final Option Year Three period for the contract in an amount not-to-exceed \$228,284, subject to funding availability and satisfactory contract performance. The aggregate total requested for approval of the last two option years is an amount not to exceed \$445,697. The new aggregate contract total, including the base term and three one-year options will be an amount not-to-exceed \$1,079,897.

RESOLUTION NO. 2013-CHA-110

WHEREAS, the Board of Commissioners has reviewed the Board Letter dated November 13,, 2013, entitled "AUTHORIZATION TO EXERCISE OPTION YEARS TWO AND THREE WITH AON RISK SERVICES, INC. OF ILLINOIS FOR BROKERAGE AND CONSULTING SERVICE".

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

That the Board of Commissioners ("Board") authorizes the Chief Executive Officer or his designee discretion to enter into the last two, one-year options with Aon Risk Services to provide Brokerage and Consulting Services to the CHA in an amount not-to-exceed \$217,413 for the second option year term February 1, 2014 to January 31, 2015, as well as authorize the Third or final Option Year period for the contract in an amount not-to-exceed \$228,284, subject to funding availability and satisfactory contract performance. The aggregate total requested for approval of the last two option years is an amount not to exceed \$445,697. The new aggregate contract total, including the base term and three one-year options will be an amount not-to-exceed \$1,079,897.

These awards are subject to each Contractor's compliance with the CHA's MBE/WBE/DBE, Section 3 resident hiring, and bonding and insurance requirements.



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